DOCUMENT RESUME

ED 302 350 RC 016 865

AUTHOR	O'Hare, William P.
TITLE	The Rise of Poverty in Rural America. Population Trends and Public Policy, Number 15.
INSTITUTION	Population Reference Bureau, Inc., Washington, D.C.
SPONS AGENCY	Aspen Inst. for Humanistic Studies, New York, N.Y.; Ford Foundation, New York, N.Y.
PUB DATE	Jul 88
NOTE	21p.
AVAILABLE FROM	Circulation Dept., Population Reference Bureau, P.O. Box 96152, Washington, DC 20090-6152 (1 copy, $3.00, 2-10, $2.30 each, 11-50, $1.90 each, 51 or more, $1.50 each, orders of $50.00 or less must be prepaid. Postage on orders $50.00 or less $1.00 or 5% of order).
PUB TYPE	Reports - Research/Technical (143) -- Viewpoints (120)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Age Groups; Educational Attainment; *Family Income; Low Income; *Population Trends; *Poverty; Rural Areas; *Rural Population; Rural to Urban Migration; *Rural Urban Differences; Social Science Research; Underemployment; *Unemployment; Welfare Services
IDENTIFIERS	Current Population Survey

ABSTRACT

Dramatic demographic and socioeconomic shifts have occurred in rural areas over the last decade, increasing poverty among America's rural population. Analysis of the Census Bureau's Current Population Survey indicates that outmigration from rural areas, which has grown steadily since 1980, reached almost 1,000,000 between 1986 to 1987. Those leaving in the largest numbers were young adults and the better educated, people most needed to revitalize rural economies. Between 1979 and 1986, real median family income fell by 10% in rural areas and less than 1% in urban areas. In 1986 rural unemployment exceeded urban unemployment by 26%, and the rural poverty rate was 18%, 50% higher than the urban rate. Hardest hit have been young adults and their children; a quarter of rural children were living in poverty in 1986. About 62% of poor rural adults and 54% of poor urban adults, aged 18 to 44, held a job at least part of 1986. Most of the rural poor did not receive cash assistance or food stamps, did not live in public housing, and were not eligible for Medicaid. About 80% of young rural adults had finished high school, and 13% had graduated from college, compared to 85% and 23% for young urban adults. However, rural/urban differences in educational attainment and the quality of educational systems do not explain differences in poverty rates. Some problems faced by young rural adult workers stem from changing demographics and the growth of low paying jobs in rural areas. Many observers feel that the problem of rural poverty requires federal intervention, such as tax relief, welfare reform, or new economic development strategies. (SV)

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POPULATION TRENDS AND PUBLIC POLICY

The Rise of Poverty In Rural America

RC016865

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A publication of the Population Reference Bureau, Inc.
Number 15, July 1988

PRB

The Rise of Poverty in Rural America is the fifteenth in a series of occasional papers, Population Trends and Public Policy, published by the Population Reference Bureau, Inc. This series is devoted to a discussion of demographic issues of concern to policymakers. See inside back cover for recent titles.

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Among those who contributed to the publication of this report are Judy Felt, Population Reference Bureau; Calvin Beale and Robert Hoppe, U.S. Department of Agriculture; and Cynthia M. Duncan, Rural Economic Policy Program, Ford Foundation. This report was made possible by a grant from the Rural Poverty and Resources Program of the Ford Foundation and the Rural Economic Policy Program of the Aspen Institute.

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Population Trends and Public Policy
July 1988
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The Rise of Poverty in Rural America

Summary

As we approach the end of the 1980s, America's rural population is experiencing growing levels of economic distress. By 1986, for example, one out of every four children in rural America was living in poverty, unemployment in rural areas was 26 percent higher than in urban areas, and the escalating population movement out of small towns and the surrounding hinterlands which make up rural America was being led by the better educated.

Recent socioeconomic trends have resulted in declining population growth rates and widespread movement out of rural areas. Outmigration has increased steadily since 1980 and between 1986 and 1987, almost a million more people moved out of rural areas than moved in.

While most of the recent media attention has focused on the urban poor, the poverty rate for the 54 million Americans who live in rural areas has climbed to 18 percent—50 percent higher than in urban areas. By 1986, one out of every five young rural families was living below the poverty line.

Even more worrisome, a large and growing number of young rural adults are poor despite the fact that they are in the work force. In 1986, 12 percent of young workers in rural areas were unable to earn enough to move above the poverty line. Almost three-quarters of rural children in poverty lived in families in which at least one adult was working. Over a quarter of the "working poor" in rural America are employed in service industries which, ironically, have the best growth prospects.

Dramatic demographic and socioeconomic shifts that have occurred in rural areas since 1980 underlie the new rural poverty. Population loss and rising unemployment have followed closely on the heels of the deterioration of the rural economy, pushing many young couples and their children into poverty. Along with a decline in the farm sector, many other rural-based industries—timber, oil, gas, mining—have been adversely affected by national and global economic changes.

This economic upheaval has resulted in a widening of the gap between rural and urban incomes during the 1980s, reversing a trend toward a convergence during the 1970s. Between 1979 and 1986, real median family incomes in rural areas fell by 10 percent. By 1986, the median income of rural families was 26 percent less than that of their urban counterparts.

While the education level of young rural workers is lower than that of young urban workers, this is not the major reason for the higher poverty levels experienced by rural workers. Nor does it explain why poverty has been rapidly increasing in rural areas in the 1980s because educational attainment has also increased.

Most of the rural poor do not receive cash assistance, do not live in public housing, do not receive food stamps, and are not covered by Medicaid. The School Lunch Program is the only major welfare program that reaches the majority of poor families with children. Rural residents are more likely to be ineligible for welfare because they are married couples with children rather than single parents. The rural poor are also more likely than the urban poor to be working.

While there are a few legislative measures now being considered that would provide some potential relief to the rural poor, these initiatives will have little impact on the overall economic well-being of rural residents. Many observers feel that the national and international scope of the trends which have buffeted rural areas requires the federal government to take a larger role in developing economic policies that will halt the decline in America's rural areas.

The Rise of Poverty in Rural America

by William P. O'Hare

Ten years ago the future of rural America looked bright. The rural population was growing faster than the urban population and the economic foundations of most rural areas appeared solid. In the late 1980s, rural America appears to be in trouble. In the words of two prominent researchers, "If rural revitalization was the theme of the 1970s, economic stress is the overriding rural issue of the 1980s."[1]

Dramatic demographic and socioeconomic shifts have occurred in rural areas over the last decade, increasing poverty among America's rural population. But the growing level of distress among this group of needy Americans has received little public attention. The extent of the economic struggle, documented here in a new analysis of 1987 data, may startle even those familiar with the problem.

While decline in rural America has hurt nearly everyone living there, no group has suffered more than young families. The plight of these families is especially noteworthy because economic difficulties have pushed growing numbers of rural children into poverty. As of 1986, *a quarter of all children in rural America were living in poverty*.

The hardships experienced by rural families during the 1980s have been overshadowed by the attention given to the needy in central cities. Yet, the poverty rate in rural America in 1986 was the same as that found in central cities and 50 percent higher than the rate for the entire urban population. The disparity between rural and urban poverty has widened during the 1980s, reversing a 20-year trend.

Declining Population Growth

Perhaps the foremost indicator of change in the social fabric of rural America is a decline in the rate of population growth. Between 1970 and 1980, the yearly rate of population growth in the rural portion of the country was 1.4 percent, significantly higher than that of urban areas (1.0 percent). During the first half of the 1980s, though, the rural population grew at a yearly rate of only 0.7 percent, compared to 1.2 percent in urban areas.

Changing migration patterns are primarily responsible for the slower rate of rural population growth in the 1980s. During the 1970s, rural areas experienced a net inmigration of about 350,000 people each year. During the 1980s, however, the number of people leaving rural areas has grown steadily. There was a net outmigration of nearly 1 million people from rural areas between 1986 and 1987, up from 630,000 the year before (see Figure 1, page 4).[2] While there are inconsistencies between statistics collected before and after 1984 (see Box 1), the general trend of increased outmigration during the 1980s is unmistakable.

Recent net outmigration from rural areas has been pervasive. There has been a net movement from rural to urban areas for every age group, for every major racial group, for both males and females, for married couples, single parents, and those living alone, for homeowners and renters, among those at every educational level and in every region of the country.

Furthermore, those leaving in the largest numbers are young adults and the better educated—people most needed to revitalize rural economies. Almost one-third of the net loss in rural areas between 1986 and 1987 was in the 18 to 24-year-old group. More than half of the adults who moved out of rural areas had at least one year of college, and almost 27 percent had four years of college.

Demographic changes such as these are often symptoms of fundamental structural change. The structural changes behind the heavy outmigration from rural areas are reflected in several economic indicators discussed below.

Rising Unemployment

The economic recession of the early 1980s and the subsequent recovery radically altered rural unemployment rates and patterns. In the two decades prior to 1980, urban unemployment rates exceeded rural rates by about 1 percentage point.

Box 1: What is a Rural Area?

The term rural, as used here, refers to U.S. counties defined as nonmetropolitan (nonmetro) by the U.S. Office of Management and Budget and urban refers to counties defined as metropolitan (metro).

Technically, the terms rural and nonmetro as used by the U.S. Bureau of the Census are not synonymous. Metropolitan areas are comprised of counties which surround large cities (typically a city of 50,000 or more) including outlying counties that are socially and economically tied to the core county. Any county that is not part of a metro area is classified as nonmetro. Roughly two-thirds of the counties in the country are nonmetro, but they contain only 23 percent of the nation's people.

The term urban, as used by the Census Bureau, includes two kinds of areas: (1) large cities and densely settled, adjacent suburbs; and (2) all places, or communities, of 2,500 or more people regardless of where they are located. Any area that is not urban is deemed rural.

In many of the nonmetro counties there are cities and small towns of 2,500 or more people that are classified as urban by the Census Bureau and many metro counties include areas that fall into the Census Bureau's rural category.

Data for urban and rural areas are usually available only from the decennial census. However, data for metro and nonmetro areas are available yearly from the Census Bureau's Current Population Survey.

In 1983, the Office of Management and Budget updated the definition of metropolitan areas by identifying new metro areas and expanding the boundaries of existing metro areas based on (1) changes in the criteria used to determine metro status and (2) the results of the 1980 Census.

The Current Population Survey

Most of the data cited in this report are based on the monthly Current Population Survey (CPS) conducted by the U.S. Bureau of the Census. For the March CPS, the Census Bureau interviews a representative sample of people in 60,000 households to gather information on demographic, social, and economic characteristics. Data from this annual survey—in printed form or on computer tape—are the best source of data on current trends and population characteristics.

The CPS sampling frame was redesigned in 1984, making it more difficult to interpret changes in the nonmetro population during the 1980s. This modification abruptly converted the residential status of nearly 20 million people from nonmetro to metro (or rural to urban using our terminology). Consequently, statistics on the rural population from before and after 1984 are not strictly comparable.

However, the CPS data remain the best available data to study most socioeconomic trends and a preliminary analysis by the author shows that the redefinition of rural and urban areas in the CPS had a minimal impact on the overall trends within the rural population.

But during the recession, rural unemployment rates rose more rapidly than urban rates, peaked at a higher level, and have remained above urban rates throughout the 1980s. In 1986, the unemployment rate for the labor force in rural areas was 26 percent higher than that for urban areas.[3]

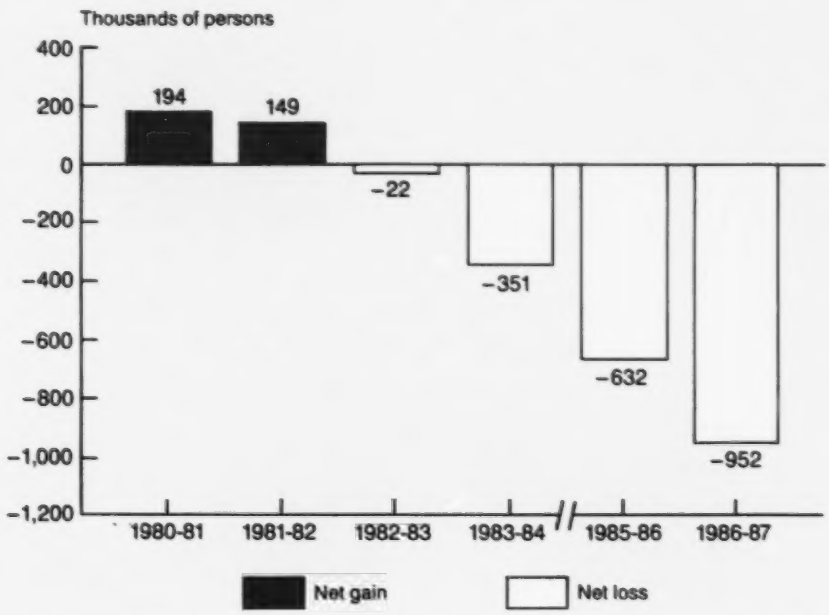
The unemployment rate, however, does not tell the whole story. The jobless in rural areas are more likely to be discouraged workers who are not looking for work; therefore, they are not included in unemployment data. Also, rural workers are more likely to be underemployed, holding part-time jobs while waiting for full-time positions. When adjustments are made for these two factors, unemployment is estimated to be 31 percent higher in rural areas than in urban areas.[4]

Many of the industries which have been the backbone of the rural economy (agriculture, timber, oil, gas, mining, and routine manufacturing) deteriorated during the 1980s. This has had a devastating impact on workers in many rural communities. The number of jobs in rural counties grew by only 3 percent between 1979 and 1985, while the number of jobs in urban counties grew by 10 percent during the same period.[5]

The higher unemployment rate in rural areas reflects the limited ability of local economies to respond to unforeseen economic shifts because of their dependence on a narrow economic base, often a single industry. The plight of counties dependent upon manufacturing or agriculture, for example, are similar. A concentration of low-skilled occupations within a single industry, coupled with geographic isolation, makes rural areas more susceptible to economic downswings.

Because of the media attention given to the farm crisis, many Americans mistakenly believe that the farmers' economic problems are the driv-

Figure 1
*Net migration for rural areas in the 1980s **



*Data for 1984-85 not available

Source: ref. 1

Geographic isolation and single-industry dependency often limit job options in rural areas.

ing force behind the rise in rural poverty in the 1980s. However, America's rural economy is no longer based primarily on agricultural but on nonagricultural industries. A century ago, almost half of the U.S. population lived on farms. As recently as 1950 about 15 percent lived on farms. In 1987, the 5.1 million people who resided on farms represented only 2.1 percent of the total U.S. population and less than *10 percent* of the entire rural population.[6]

As the farm sector faded, rural residents sought jobs in other industries. In 1984, resource-based industries (including forestry, fisheries, and mining, as well as agriculture) employed about 15 percent of rural workers, while 18 percent worked in manufacturing, 5 percent in construction, and 63 percent in service and trade industries. The greatest growth in rural—as in urban—jobs in the 1980s has been in the service, trade, and government industries.[7]

During the 1960s and 1970s, many rural counties competed successfully with urban areas in attracting new manufacturing industries. But the growth of rural manufacturing jobs has been concentrated in routine manufacturing industries, such as food, textiles and apparel, or furniture production, while more complex manufacturing industries (such as those producing chemical or electrical goods) remain concentrated in urban areas. Manufacturing industries employ a similar share of the urban and rural labor forces: 17 percent in urban areas compared to 18 percent in rural areas. However, about half of the manufacturing workers in urban areas are in complex manufacturing industries compared to less than a third of the rural workers. Routine manufacturing industries, employing 72 percent of the rural manufacturing workers and 13 percent of the total rural labor force, require less skilled labor for tasks such as garment inspection, repetitive assembly work, or simple machine operation. These industries have been, and will continue to be, hurt by competition from foreign labor.

Falling Incomes

Changes in the economic underpinnings of rural America have hurt the incomes of rural workers. In 1986, the median family income for urban families was $31,639 compared to only $23,229 for rural families.[8]

Historically, incomes were lower in rural areas—even after cost-of-living adjustments[9]—but the gap between urban and rural incomes has grown during the 1980s primarily because rural incomes have declined in real terms.

During the 1970s the incomes of rural residents were catching up with those of urban residents. By 1979, the median family income in rural areas was 79 percent of that in urban areas, up from 75 percent in 1969. By 1986, however, rural median family income had declined to 73 percent of that in urban areas. After accounting for inflation, real median family income fell by 10 percent in rural areas between 1979 and 1986, compared to a decline of less than 1 percent in urban areas.

Apart from lower salaries, rural jobs often provide fewer fringe benefits. In 1986, for example, half of all urban workers (51 percent) had an employer-sponsored pension plan compared to only 44 percent of rural workers. The higher rate of employer-sponsored pension plans among urban workers is likely to perpetuate the economic gap between rural and urban areas because it will provide urban retirees with extra income.

Increasing Poverty

The loss of population, rising unemployment, and deteriorating economic conditions are closely linked to an increase in poverty among rural Americans. Furthermore, the gap between urban and rural poverty rates has begun to widen, reversing the trend of the past several decades (see Figure 2, page 7).

High poverty rates in rural areas are not new.

Manufacturing industries have expanded in rural areas and employ far more workers than farming.

Using the government poverty standard (see Box 2), the 1959 poverty rate in rural areas was 33 percent, more than twice the urban rate of 15 percent. But the gap between urban and rural poverty rates began to close, slowly during the 1960s and more rapidly during the early 1970s. By 1979, the rates had nearly converged: The poverty rate was 14 percent in rural areas and 11 percent in urban areas.

Since 1980, however, the gap between urban and rural poverty rates has grown, in part because many rural sections of the country have recovered more slowly from the recession of the early 1980s than have urban areas; many areas have not recovered at all. The result is a high rate of poverty among rural families and an uncertain future for them and their children.

U.S. Census Bureau figures show that the poverty rate in rural areas was only 28 percent higher than the rate in urban areas in 1979, but it was nearly 50 percent higher than the urban rate in 1986. In that year the poverty rate for the rural population was 18 percent compared to 12 percent in urban America.

Interpretation of the change in rural poverty levels between 1979 and 1986 has been complicated by changes in the rural definition (see Box 1, page 3), but the major trends are clear.

Rural poverty appears to have become more entrenched relative to urban poverty during the 1980s. Rural rates have remained higher and rural residents have been trapped below the poverty line for a longer time.[10] The rural poverty rate rose more rapidly than the urban rate between 1979 and 1983, and did not fall as much as the urban rate between 1985 and 1986. Between 1978 and 1982, 5 percent of urban residents remained poor during the entire period, compared to 8 percent of rural residents.[11]

Some analysts argue that the comparison of rural and urban poverty rates is misleading because the relatively well-off suburbs in urban areas mask the high poverty rates in central cities. This

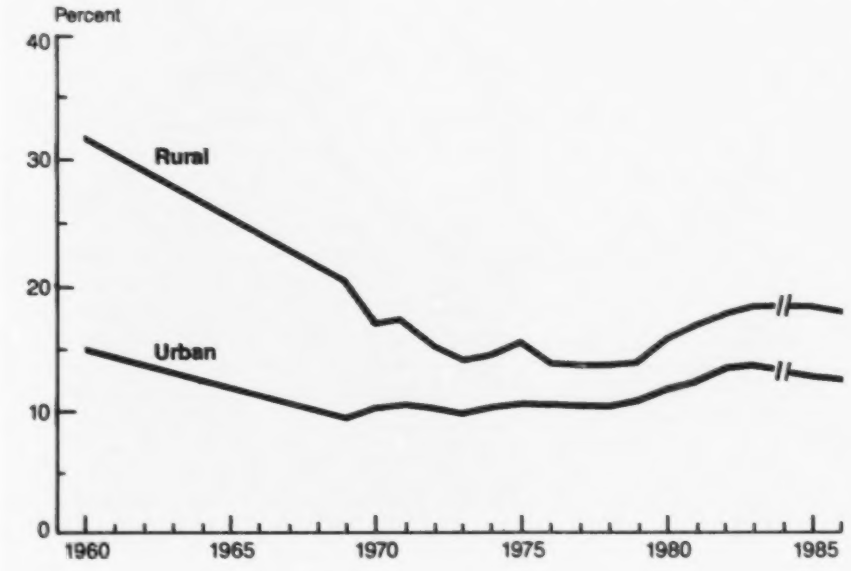
Box 2: The Poverty Index

Families and people living alone or with other unrelated individuals are classified as being above or below the poverty level on the basis of the poverty index constructed by the Social Security Administration in 1964. The poverty index, which only counts money income, is based on the 1961 Economy Food Plan of the U.S. Department of Agriculture and reflects the consumption needs of families, depending on their size and composition.

A Department of Agriculture's Survey of Food Consumption in 1955 found that families of three or more persons spent an average of about one-third of their income on food. The poverty level for these families was therefore set at three times the cost of the Economy Food Plan. For smaller families and persons living alone, the cost of the Economy Food Plan was multiplied by factors that were slightly higher to take account of the relatively larger fixed expenses of smaller households.

The poverty income thresholds are updated each year to reflect changes in the Consumer Price Index or inflation. In 1986 the threshold was $11,203 for an average family of four, and the range was from $5,572 for a single person to $22,497 for a family of nine or more persons.

Figure 2
*Percentage of population in poverty by urban/rural residence: 1959 to 1986 **



*Data for 1984 not available

Source: ref. 2

might have been true in the past, but between 1979 and 1986 the poverty rate in rural areas caught up with the rate for central cities. In 1979, the poverty rate in central cities was 15 percent higher than that in rural areas; by 1986, the rural poverty rate of 18 percent was virtually equal to that in the central cities.

Poverty Among Young Families

The overall poverty rate for rural areas increased by 29 percent between 1979 and 1986, but the recent economic problems in rural areas have hit young adults and their children particularly hard (see Figure 3, page 8). Between 1979 and 1986, the poverty rate grew by 55 percent among young adults, aged 18 to 44. Over the same period the poverty rate increased by 39 percent among children under age 18 and only 22 percent for older working-age adults between the ages of 45 and 64. In sharp contrast to the trends in the younger population, the poverty rate for the those over age 64 in rural areas actually *decreased* by 17 percent during the period.

In 1986, 25 percent of the rural children under 18 lived in poor households, compared to only about 15 percent of rural residents in the prime working ages, 18 to 64, and 18 percent of those age 65 or older.

Most older rural residents receive social security retirement payments—a stable source of income, adjusted annually to reflect increases in the cost of living. Younger rural families, on the other hand, must rely on parental earnings or public assistance. Earned income has been an unstable source of economic support for many rural families during the 1980s, and public assistance has not provided enough cash to lift people out of poverty. Furthermore, neither of these income sources kept pace with inflation during the 1980s.

Poverty among young adults and children increased in all parts of the country during the 1980s, but between 1979 and 1986 the poverty rate for young adults and children increased twice as fast in rural areas as it did in urban areas. In 1979, the poverty rate for young adults in rural areas was only 16 percent above that in urban areas. By 1986, however, the poverty rate for young adults in rural areas was 50 percent above the poverty rate for this age group in urban areas.

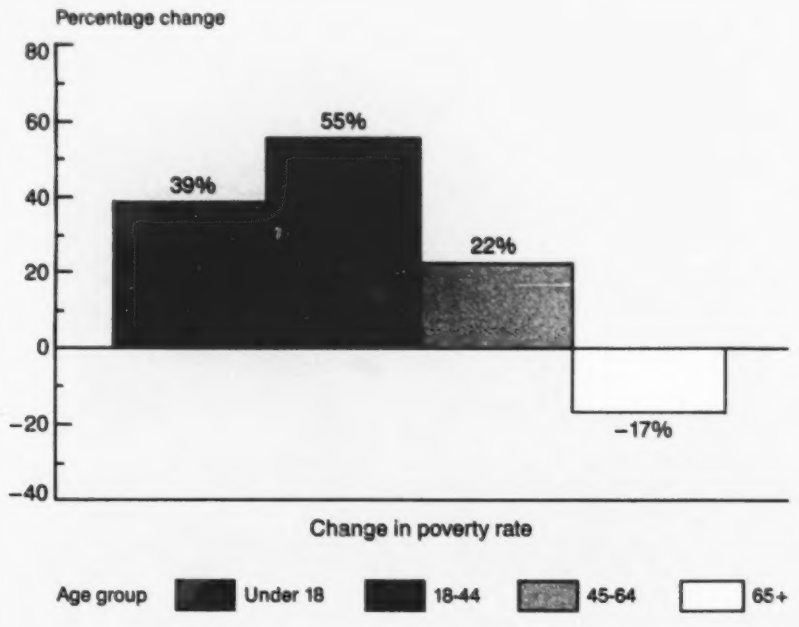
By 1987, more than *one out of every five young rural families was living below the poverty level*. Among those just entering the rural job market the situation was even worse. Almost one-third (32 percent) of rural families headed by someone between the ages of 18 and 29 were poor in 1986, up from 19 percent in 1979. It is not hard to understand why many young people leave rural areas when they are faced with such prospects.

It is widely recognized that poverty among children has grown dramatically in the past decade, but it is not widely noted that this increase has hit rural children disproportionately and that it is occurring most often among families where the parents work or are seeking work.

In 1979, the poverty rate among children in rural areas was 11 percent above that in urban areas; by 1986 it was almost one-third higher than that for children in urban areas.

Black children in the rural South, especially those from single-parent families, have experienced spectacularly high poverty rates. In 1986, *57 percent* of the nearly 1.8 million black children in the rural South were living in poverty. Of the black children in the rural South who lived in single-parent families, *78 percent* were poor. The high level of poverty among blacks in the rural South is associated with elevated levels of infant mortality, illiteracy, unemployment, and poor housing conditions. The high level of poverty among black children in the rural South reflects the fact that many young black adults in the region cannot

Figure 3
Changes in rural poverty rates between 1979 and 1986



Source: ref. 3

In 1986, 68 percent of young black families in the rural South were poor.

find jobs which pay enough to lift themselves and their families above the poverty line.

For young blacks just entering the work force, the situation was dire in 1979 and it is not improving. In 1986, 68 percent of black families in the rural South headed by someone aged 18 to 29 were poor. In 1979, the figure was 46 percent.

The story is similar for Hispanics living in rural areas. Nearly half of all rural Hispanic children were poor in 1986, and *46 percent* of Hispanic families headed by someone aged 18 to 29 were poor in 1986, a significant rise over the 1979 rate of 30 percent.

Education and Poverty

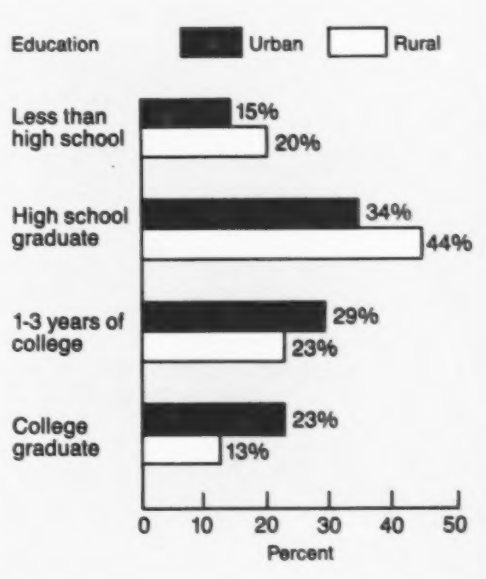
Why have the poverty levels among young adults and children in rural areas escalated so rapidly during the 1980s? The lower levels of education and higher unemployment in rural areas are closely linked to poverty status, but rural/urban differences in education and work experience do not adequately explain why the poverty level for young adults is higher in rural than in urban areas or why it has climbed so quickly in recent years.

Even though the educational attainment of rural residents has increased in recent years, the average educational levels of young rural adults are still far below those of their urban counterparts. In 1987, 20 percent of young rural adults never finished high school, while less than 15 percent of young adults living in urban areas failed to finish (see Figure 4). The gap is wider at higher educational levels: 23 percent of the young adults in urban areas completed four years of college, compared to only 13 percent in rural areas.

Young adults living in rural areas tend to have less formal education than those in urban areas not only because rural residents are less likely to complete high school, or to go on to college if they do graduate from high school, but also because the better educated adults have been moving out of rural areas.

While poverty and low educational levels usually go hand-in-hand, educational differences do not

Figure 4
Educational attainment of adults 18 to 44 by urban/rural status: 1987



Source: ref. 4

fully explain the disparity between urban and rural poverty rates. In Figure 5, education-specific poverty rates are compared for young adult workers in rural areas in 1979 and 1986 and for young adult workers in urban areas in 1986. In both urban and rural areas, as the educational level increases the poverty rate decreases, but at every educational level poverty rates are higher in rural areas than in urban areas. For young workers who dropped out of high school, the poverty rate in rural areas in 1986 was 24 percent, compared to 20 percent in urban areas; for high school graduates the poverty rate in rural areas was 11 percent, compared to 7 percent in urban areas; and for those with 1 to 3 years of college the poverty rate was 9 percent in rural areas, compared to 5 percent in urban areas. A young rural worker who completed 1 to 3 years of college is more likely to be poor than a young urban worker with just a high school education.

Furthermore, the educational differences do not explain the dramatic increase in poverty among young rural adults between 1979 and 1986. The overall level of educational attainment improved for rural workers 18 to 44 years of age, but for every level of education the poverty rate for young adults in rural areas was higher in 1986 than in 1979. The poverty rate for young adult workers in rural areas with less than a high school education went from 17 to 24 percent between 1979 and 1986. Similar jumps occurred in the other educational classifications.

The higher poverty rates for young rural workers, after educational levels have been taken into account, reflect the lower wages in rural areas. They also portray the difficulty encountered by many young adults trying to break into the rural labor market.

To some extent, the poverty rate among young families in rural America has grown because many of those with the best education and skills have moved to urban areas, leaving behind those least able to adjust to a changing economy. Also, as the rural occupational structure has shifted, younger workers have been more likely to move into lower paying occupations and are the first to lose their jobs under "last hired-first fired" rules. Among rural workers with the same level of education, younger workers are more likely to be poor than older workers.

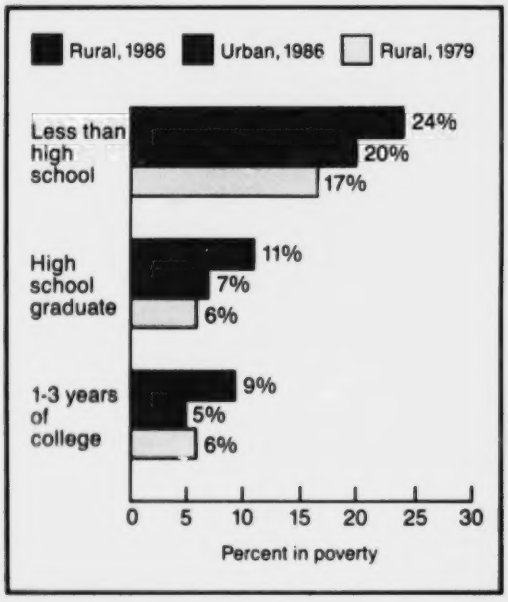
Rural school systems are typically poorer than those in urban areas, but it is unlikely that inferior education is mainly responsible for the lower incomes of rural workers. Rural/urban differences in the quality of educational systems do not explain why poverty levels have increased for young rural workers at every educational level, or why young workers in rural areas have higher poverty rates than older workers with the same amount of education.

The Working Poor

Children and the elderly, who typically are not expected to work, made up half (51 percent) of the poor in both urban and rural populations in 1986. Furthermore, ill and disabled adults comprised 11 percent of the working-age poor adults in urban areas and 12 percent in rural areas. Thus, about two-thirds of the poor in both rural and urban areas consists of people who cannot be expected to support themselves.

However, these numbers also mean that one-third of the poor in both rural and urban areas is comprised of able-bodied adults of working age. There is growing recognition that a significant portion of these adults are not poor because they lack the motivation to work but because they cannot

Figure 5
Poverty rates by education for three groups of young adults, ages 18 to 44



Source: ref. 5

The rural poor are more likely than the urban poor to have jobs at least part of the year, but fail to earn enough to rise above the poverty level.

find work or, if they have jobs, cannot earn enough money to climb above the poverty threshold.[12]

In 1986, 62 percent of poor rural adults and 54 percent of poor urban adults aged 18 to 44 held a job at least part of the year, but their incomes remained below the poverty line. These "working poor," numbering about 10 million nationally, have received increasing attention from policymakers, and they account for a greater share of the rural than the urban poor.

While families sometimes ward off poverty by sending more people into the workplace, this strategy is less effective in rural areas. The poverty rate for young rural families with one wage-earner was 31 percent in 1986, compared to 20 percent in urban areas, while the poverty rate for rural families with two or more wage-earners was more than double that of similar urban families. Almost 8 percent of the young rural families with two or more wage-earners were poor in 1986.

The workplace difficulties faced by young adults have important ramifications for children. *In 1986, 72 percent of the children of young rural families in poverty lived in families where at least one adult was working*, compared to only 59 percent of the poor children in urban areas. One has to wonder what message these children get when they see their parents remain in poverty despite the fact that they are working.

Changing Demographics

Some of the problems faced by young workers in rural areas stem from changing demographics. The young adult population in the U.S. is largely made up of the 75 million members of the baby-boom cohort born between 1946 and 1964. Beginning in the 1970s, the huge number of baby-boomers reaching working age each year, coupled with a steep rise in the labor force participation of women, crowded the job market in both rural and urban areas of the country. However, as the local economies in many rural areas began to decline in the 1980s, rural workers under age 45 faced even more intense competition for a dwindling number of jobs.

Overall, the number of young rural adults in poverty who worked or looked for work increased from 1.5 million in 1979 to 2.0 million in 1986, even though the total rural population in this age group fell by 15 percent during this period.

Furthermore, the number of young adults in poverty in rural areas who worked part-time shot up by 70 percent between 1979 and 1986; the share reporting that they had not worked the previous year because they could not find a job grew from 10 to 23 percent during the same period. About one-quarter of poor young adults in the rural labor force held two or more jobs in 1986.

A majority of the rural poor do not receive welfare benefits.

Growth of Low-Paying Jobs

Economic change in rural areas created new jobs in low-paying occupations. Large numbers of young working poor are already employed in the economic sectors which have experienced the greatest growth of new jobs. The high rate of poverty among workers in the service industry, for example, is particularly vexing, because this is one part of the rural economy that is likely to grow in the years ahead.

Three sectors of the economy accounted for two-thirds of all the rural working poor between the ages of 18 and 44. More than a quarter (28 percent) of young working-poor adults were in service industries, 25 percent were in trade, and 13 percent were in farming. The major occupations and industries of the rural working poor changed very little between 1979 and 1986.

Welfare Assistance

While poverty and welfare are synonymous in the minds of many people, the majority of people in poverty, whether urban or rural, do not receive benefits from most major welfare programs. Moreover, the poor in rural areas are less likely to receive public assistance than the urban poor.

Except for children living in families headed by someone between the ages of 18 and 44 who participated in the School Lunch Program, a majority of the poor did not receive benefits from welfare programs in 1986 (see Figure 6). Poor young families in rural areas are less likely than their urban counterparts to receive cash public assistance, free school lunches, or Medicaid, but are slightly more likely to receive food stamps. About 13 percent of impoverished young families in both urban and rural areas who reside in rental housing lived in public housing.

Since the rural poor are generally less likely than the poor living in cities to receive public assistance benefits, the gap in well-being between the urban and rural poor is even wider than the poverty figures alone would indicate.

Perhaps the most noteworthy difference between urban and rural groups is the 5-percentage-point gap in the rate at which the two groups are covered by Medicaid. In 1986, only one-third of the poor adults in rural areas were covered by Medicaid. In 1986, 41 percent of poor young adults in rural areas had no health insurance, and *over one-third of the children in rural areas who reside in poor families lacked any kind of health care coverage*. The figures for urban residents are about the same.

Since a larger share of the rural poor work, legislation being discussed in the U.S. Congress that would require all employers to provide health insurance for employees would benefit the rural poor more than the poor in urban areas.

Young families in rural areas are less likely than urban families to depend on cash welfare payments as their only source of income. In 1986, half of the 600,000 poor adults aged 18 to 44 in rural areas who received cash public assistance also

earned wages or had other sources of income, compared to only 38 percent of poor young adults in urban areas.

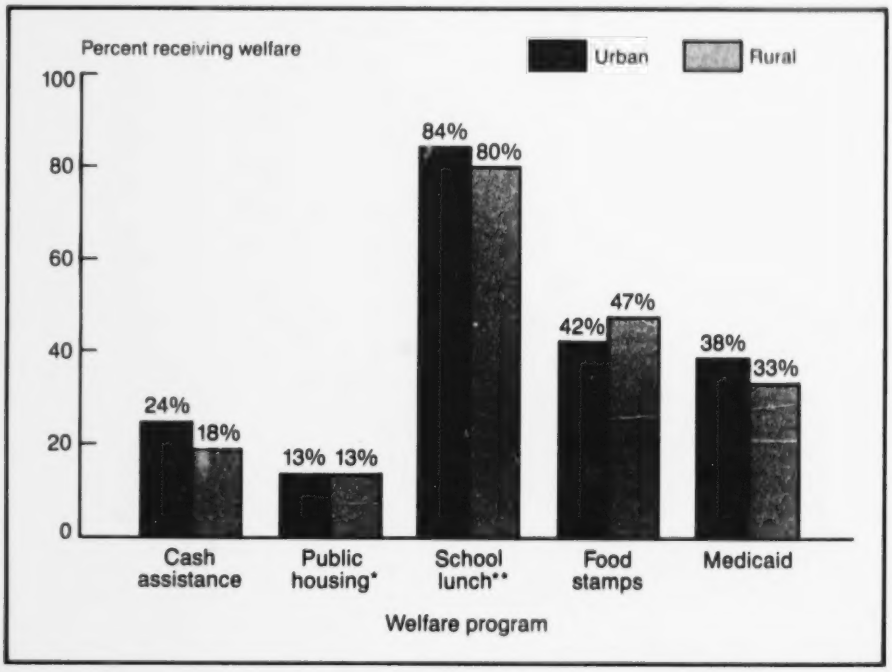
There are several possible reasons why rural residents do not receive the share of welfare benefits one would expect, based on poverty rates. The rural poor are more likely to be living in married-couple families, making them ineligible for the major welfare program, Aid to Families with Dependent Children (AFDC), in nearly half the states. The rural poor are also more likely than the urban poor to be working, which makes them ineligible for some welfare programs. Those living on farms, and therefore likely to have significant assets, may be made ineligible by the "assets test" used to determine eligibility for many welfare programs. Some observers would also argue that pride and a "sense of independence" are stronger among rural residents, and that this curtails their participation in welfare programs.

Policy Implications

To a great extent, the public image of the poor in the 1980s is based on media attention to the growing urban underclass.[13] This has left an impression that poverty in the 1980s is largely, if not solely, an urban problem. However, the rural poverty rate is 50 percent higher than the urban poverty rate, and nearly one out of every five rural residents is poor. The rural poverty rate is just as high as that found in our large central cities, but the rural poor are not as likely as the poor living in urban areas to be reached by welfare.

Figure 6

Percentage of young adults in poverty who received welfare in 1986 by rural/urban status



*for renters only
**for households with children aged 5 to 17

Source: ref. 6

Many observers feel that anti-poverty legislation is often resisted by political representatives from rural areas who believe that such measures favor city residents.[14] In fact, poverty is disproportionately concentrated in rural areas and most policies which reduce poverty are likely to have a more beneficial effect on rural residents than on urban ones.

Furthermore, a larger share of the rural poor are in categories that most Americans would call the deserving poor. Married-couple families and workers form a bigger share of the poverty population in rural areas than in urban areas.

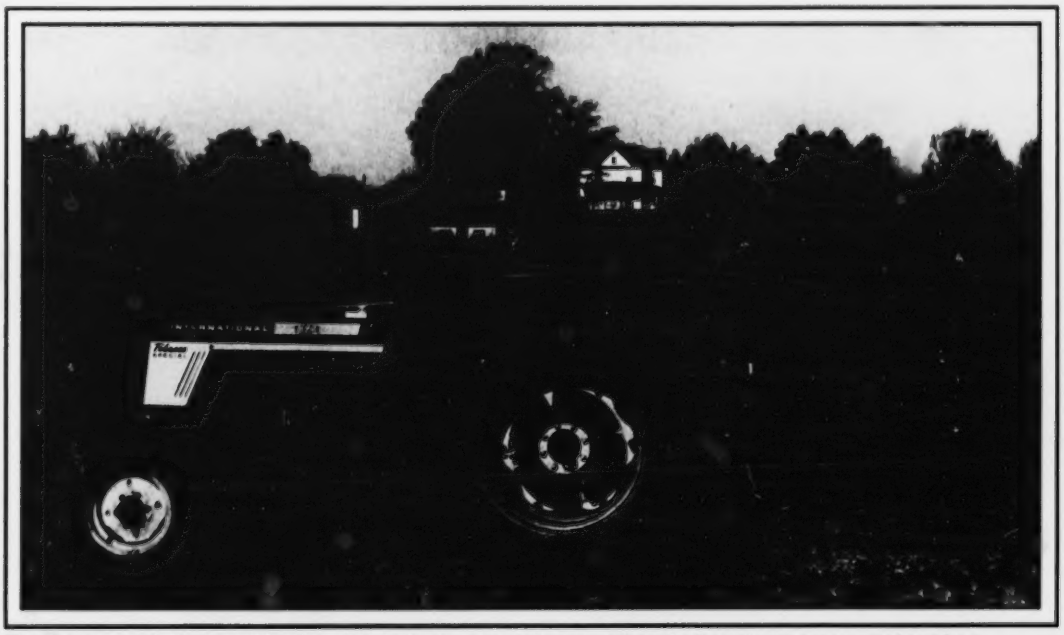
Need for Tax Relief

Rural poverty is exacerbated by the fact that the rural poor are more likely than their urban counterparts to rely on earnings and to own a home; thus, they are more likely to pay taxes. In 1987, half of the rural poor were homeowners, compared to only 30 percent of the poor in urban areas. While homeownership may provide benefits in terms of social status and potential wealth in terms of equity, it also carries costs which are particularly burdensome to the poor. In the rural portion of the country, 43 percent of the poor pay property tax, compared to only 28 percent in urban areas. In fact, poor households in rural areas are more likely than those in urban areas to pay federal income tax, state income tax, and social security tax.[15] Policies which reduce the tax burden of the poor would therefore aid those in rural areas more than those in urban areas.

Two policy changes currently being discussed in the U.S. Congress would have more beneficial effects on the rural poor since a larger share of them are workers. One is a measure to adjust the Earned Income Tax Credit for family size which would allow rural workers to reduce the amount of tax withheld from their earnings. The other is to increase the minimum wage, which has lost over 25 percent of its purchasing power since it was last increased in 1981.

Welfare Reform

Welfare reform has been widely discussed during the past few years, and one major theme of the discussions has been the idea that welfare recipients should work, or engage in work-related activity such as training, in exchange for assistance. Some proposals for welfare reform would terminate assistance for recipients who did not find a job within a specified period of time. Measures along these lines are likely to affect the rural poor



The farm population and the farming industry are only a small part of contemporary rural society.

Rural states often have more restrictive welfare eligibility rules and offer fewer benefits.

differently than those in urban areas because a larger share of the poor in rural areas are already working. Additionally, a recent analysis indicates that the kinds of jobs that most rural welfare recipients are likely to be qualified for are difficult to find.[16]

While much of the recent debate about welfare reform has centered on how to amend federal laws, state governments also make critical decisions about welfare policies. It is the states, for example, that decide who is eligible for AFDC benefits and how much assistance eligible families will receive. Consequently, the distribution of the rural population across states has important implications for their access to welfare. Predominantly rural states are more restrictive in determining who is eligible for public assistance, and they are less generous in the amount of assistance they provide.[17]

Spurring Economic Development

Although it would be hard to find one policy prescription that would be right for all rural areas of the country, the continued loss of population—particularly the outmigration of highly educated people—signifies a need for new policy initiatives which will provide economic opportunities within the rural economy. There is strong evidence that many young adults in rural areas are looking for work but are unable to find jobs that will pull them out of poverty.

Economic development strategies also need to recognize that the farm population and the farm economy are only a small part of contemporary rural society. While the health of America's farms is important for rural America, the rest of the country, and for many other parts of the world, it is crucial to view economic development in rural areas in broader terms than aid to agriculture.

Economic decline and increased poverty in rural America are tied to broader societal changes. Many of the factors that have had a harmful impact on rural areas are national and international in scope. For example, the strength or weakness of the dollar vis-à-vis other currencies has important consequences for the sale of U.S. farm produce overseas. The broad "structural economic changes" which have affected the employment base in many rural areas are products of a changing national and international economic system. The U.S. trade deficit and interest rates are closely tied to federal government actions over which rural residents have little control. But, given the importance of national and international factors, many experts believe that the federal government must play a larger policy role in halting the decline of rural America.

Conclusion

The reversal from above-average population growth and economic progress in rural areas in the 1970s to sluggish economic growth and sustained outmigration in the 1980s has been accompanied by a rise in poverty among rural Americans, especially for young families. Poverty in rural areas appears to be more entrenched than in the urban areas, even though a greater share of the rural poor hold jobs.

Analysts and policymakers have been searching for ways to relieve the economic stress in rural areas, but little has been accomplished. Regardless of one's opinion about the underlying causes, it is clear that the 1980s have been unkind to rural residents, and that concerted efforts are needed if the decline of rural America is to be halted.

Footnotes

1. David Brown and Kenneth Deavers, *Rural Economic Development in the 1980s* (Washington, D.C.: U.S. Department of Agriculture, 1987), p. 1-2.
2. The 1987 CPS shows a net outmigration of about 950,000 from rural to urban areas between 1986 and 1987, but the same source indicates that the rural population grew by 209,000 between the two dates. Such an increase in population, given the migration figures, would require a natural increase of nearly 1.2 million, about three times the rate in recent years.
3. U.S. Bureau of Labor Statistics, *Employment and Earnings*, Volume 34, Number 1, January 1987, p. 217.
4. Brown and Deavers, *Rural Economic Development*, Table 1, p. 1-17.
5. *Ibid.*, Table 8, p. 1-24.
6. U.S. Bureau of the Census, "Money Income and Poverty Status of Families and Persons in the United States: 1986" (Advance Data from the March 1987 Current Population Survey) *Current Population Reports: Consumer Income*, Series P-60, No. 157, July 1987, Table 18.
7. U.S. Department of Agriculture, *1986 Agricultural Chartbook* (Washington, D.C.: U.S. Dept. of Agriculture, Nov. 1986), Chart 123.
8. U.S. Bureau of the Census, *Current Population Reports*, Series P-60, No. 157, Table 1 and Table 14.
9. While metro income is 36 percent higher than that for the nonmetro population, 1984 data from the Bureau of Labor Statistics show that expenditures for urban households are only 26 percent more than for rural households. One recent opinion poll which asked people "how much money a family needs to get along in their community" found that residents of big cities (over 50,000) gave a figure about 21 percent higher than those living in small towns and rural areas.
10. Greg Duncan, *Years of Poverty, Years of Plenty* (Ann Arbor: Institute for Social Research, The University of Michigan, 1984), Table 2.2, p. 49; and *1986 Agricultural Chartbook*, Chart 11.
11. *1986 Agricultural Chartbook*, Chart 11.
12. Sar Levitan and Isaac Shapiro, *Working But Poor: America's Contradiction* (Baltimore: Johns Hopkins University Press, 1987); and Steve Burghardt and Michael Fabricant, *Working Under the Safety Net: Policy and Practice with the New American Poor* (Newberry Park, CA: Sage Human Services Guide 47, Sage Publications, 1987).
13. CBS Reports television program "The Vanishing Family: Crisis in Black America" with Bill Moyers, January 25, 1986; Leon Dash's series "At Risk: The Chronicles of Teenage Pregnancy," *Washington Post*, January 26 to 31, 1986; Nicholas Lemann's series "The Origins of the Underclass," *Atlantic Monthly*, June and July 1986; and William J. Wilson, *The Truly Disadvantaged* (Chicago: University of Chicago Press, 1987).
14. Robert Greenstein, presentation at the January 1988 Conference on Rural Economic Development in the 1980s: Preparing for the Future, sponsored by the National Rural Electric Cooperative Association and the Rural Economic Policy Program of the Aspen Institute, Aspen, Colorado.
15. *1986 Agricultural Chartbook*, Chart 116.
16. Leonard E. Bloomquist and Lief Jensen, "Will 'Workfare' Work?: An Assessment of the Employment Opportunities for Welfare Clients," revision of a paper presented at the Ninth Annual Research Conference of the Association for Public Policy Analysis and Management, Bethesda, Md., Oct. 29-31, 1987.
17. Robert Greenstein, January 1988 presentation.

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1. Data for 1980-81 through 1985-86. U.S. Bureau of the Census, "Geographical Mobility" *Current Population Reports*, Series P-20, Numbers 377,384,393,407; 1986-87 data: PRB analysis of the Census Bureau's Public Use File of the March 1987 Current Population Survey.
2. Data for 1959 to 1983: U.S. Bureau of the Census, "Characteristics of the Population Below the Poverty Level," *Current Population Reports*, Series P-60, annual reports for 1970 through 1983; data for 1985 to 1986: "Poverty in the United States," *Current Population Reports*, Series P-60, Nos. 158 and 160.
3. PRB analysis of the Public Use File: March 1980 and 1987 Current Population Surveys.
4. PRB analysis of the Public Use File: March 1987 Current Population Survey.
5. PRB analysis of the Public Use File: March 1980 and 1987 Current Population Surveys.
6. PRB analysis of the Public Use File: March 1987 Current Population Survey.

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ISSN 0736-7716